GBBC Global Blockchain Business Council

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Bank of England Draft Code of Practice for Systemic Stablecoins | GBBC Response

About Global Blockchain Business Council (GBBC)

GBBC is the largest leading non-profit association for the blockchain, digital assets, and emerging technologies community. Founded in 2017 in Davos, Switzerland, GBBC comprises more than 500 institutional members and 251 Ambassadors across 119 jurisdictions and disciplines.

GBBC furthers adoption of digital technologies by engaging regulators, business leaders, and global changemakers to harness these transformative tools for more secure and functional societies.

GBBC industry verticals: Financial Services, Global Commerce/Supply Chains, and Commodities, underpinned by AI, digital identity, governance, hardware, infrastructure, policy, regulation, and security.

GBBC initiatives: BITA Standards Council (BITA), GBBC Digital Media, Global Standards Mapping Initiative (GSMI), International Journal of Blockchain Law (IJBL), InterWork Alliance (IWA), and U.S. Blockchain Coalition (USBC).

Executive summary

Global Blockchain Business Council (GBBC) welcomes the Bank's move to a more workable systemic stablecoin framework, including the replacement of individual holding limits with a temporary aggregate issuance guardrail, permission to hold up to 70% of backing assets in short-term UK government debt alongside a 30% minimum in central bank money, and the clearer route from solo FCA regulation to joint supervision. These changes materially improve the framework's proportionality without weakening its core objective: reliable redemption at par in normal and stressed conditions.

The remaining task is to ensure that the framework is complete and operationally usable when it takes effect. Our response focuses on the combined prudential burden, a workable approach to redemption and exceptional disruption, predictable implementation, and a usable route for deference to overseas supervision. These changes would help firms deliver reliable redemption while preserving coinholder protection and financial stability.

Q1: Do you have any feedback on whether the proposed rules in the draft Code of Practice appropriately reflect and give effect to the policy set out in this paper?

Broadly, yes. The draft Code translates the June 2026 policy into an enforceable structure and appropriately makes the issuer responsible for one-to-one backing, timely redemption, safeguarding and financial resources. The Code would, however, give effect to the policy more reliably if the following points were resolved before the relevant provisions commence.

Close the operative gaps before commencement

Several implementation questions remain. These include how the Bank's 24-hour redemption requirement will operate alongside the FCA's final redemption rules for a systemic issuer, including which FCA provisions will be disapplied; the arrangements for trust assets on failure; and the Central Bank Liquidity Facility (CBLF) haircut used in the financial risk reserve. These questions affect redemption and incident handling under joint supervision, how value reaches coinholders in failure and the resources an issuer must hold.

The Bank, the FCA and HM Treasury should publish a coordinated timetable identifying what remains to be settled, which authority is responsible and when firms can expect the final requirements. Where a dependency cannot be completed in time, the framework should provide clear interim treatment or phase the affected obligation. Firms need sufficient time to assess and implement the complete arrangements before they become enforceable.

The Bank has already described the intended trust structure and the purposes of the asset pools. Further work should explain how those arrangements will operate in practice, particularly during recovery, wind-down and insolvency. Firms and custodians need to understand who can direct the use of assets, how the different pools support payments to coinholders and costs of administration, and how continuity of access will be maintained. The timetable should identify the enabling legislation, the further consultation on failure arrangements and any associated changes to the Code, with an opportunity to assess their combined effect before commencement.

Clarify expectations for the central bank money balance

The best endeavours approach to maintaining the 30% central-bank money balance allows flexibility for intraday settlement flows and large redemptions. The final framework should also make clear what is expected during a temporary deviation, including before the separate notification thresholds are reached.

Guidance should explain how firms should measure and restore the balance, the evidence of available liquidity they should maintain, and when internal escalation or early supervisory engagement is expected. Documented intraday fluctuations should be assessed in context, while persistent or foreseeable shortfalls should prompt action. This would preserve an active liquidity-management obligation and give firms a practical basis for demonstrating compliance.

Preserve redemption rights as tokens change hands

We support the objective that every lawful holder should have a direct and enforceable claim against the issuer. The FCA's final rules already recognise that redemption rights can pass with a coin without a new bilateral contract for every secondary transfer. The Bank's final framework should preserve that outcome under joint supervision, including on open networks where the issuer may not know each successive holder's identity until redemption is requested.

The Bank and FCA should confirm how an issuer can demonstrate that the redemption right continues to pass effectively with the token under both regimes. Firms should remain free to use legally effective arrangements suited to different operating models while maintaining the direct claim against the issuer. Applicable financial-crime obligations throughout the distribution and transaction chain should continue to apply.

Confirm how the redemption clock operates

We support the Bank's published position that redemption is completed when the issuer, or a third party acting on its behalf, instructs a valid payment order supported by sufficient funds. This provides an appropriate endpoint for the 24-hour requirement and recognises that subsequent delays within payment or banking systems may be outside the issuer's control.

That approach should be reflected consistently in the final framework and accompanying guidance, including the evidence firms should retain to show that a valid, funded instruction was sent. The remaining issue is the treatment of an exceptional disruption that prevents the instruction from being sent in the first place. We address that separately under Question 3, together with the issuer's continuing responsibilities for resilience and recovery.

Clarify the boundary between remuneration and payment rewards

The policy distinguishes prohibited issuer-funded returns for holding a stablecoin from permitted rewards linked to payment activity and ordinary commercial or service arrangements. The final framework should make that distinction sufficiently clear for wallet providers, merchants and distribution partners to plan their services. Uncertainty over indirect remuneration could otherwise discourage legitimate payment incentives.

The Bank should explain how it will assess the substance and source of a reward, including arrangements where reserve income funds a holding-period return. Worked examples should cover independently funded wallet rewards, merchant rebates, cashback and loyalty schemes linked to payment activity. This would preserve the prohibition on issuer-paid interest while giving firms confidence about legitimate commercial arrangements.

Make the guardrail workable across ledgers

The final framework should make clear how issuance is managed as a product approaches the £40 billion guardrail, including an issuance that would take the total over the limit. Firms need a prospective control that can be built into their issuance systems, with sufficient notice of supervisory expectations as the guardrail approaches.

Planning for a forecast exceedance should be distinguished from restoring compliance after an actual exceedance. Guidance should explain the expected forecasting horizon, escalation process and communications with distributors so firms can manage either situation in an orderly way.

The Bank's product definition is based on fungibility. We support treating fungible units of the same product across different chains as one product for the guardrail and ask the Bank to confirm that application explicitly in published guidance. The calculation must aggregate all outstanding units of that product across the relevant chains, while avoiding duplicate counting of representations of the same underlying claim.

Worked examples should explain how native issuance, authorised lock-and-mint bridges, burn-and-mint migrations and coins redeemed but not yet burned affect the total. They should also address wrappers created by third parties that the issuer neither controls nor undertakes to redeem. A common product identifier would help, but firms also need a consistent method for tracing the underlying claims and reconciling supply as value moves between ledgers.

Q2: Do you have any comments on how the way the proposed rules give effect to the policy set out in this paper impact financial stability and commercial considerations (including business model viability)?

Financial stability and commercial viability should not be treated as competing objectives. A systemic stablecoin that cannot support a resilient operating model will not provide a durable form of private money; equally, business-model viability cannot justify shifting liquidity, market or operational risk to coinholders. The appropriate test is whether the complete package allocates sufficient resources to each material risk without charging twice for the same loss or creating avoidable barriers to entry.

Test the framework as a single prudential package

GBBC supports full backing by high-quality liquid assets and proportionate prudential resources. Our concern is cumulative calibration. An issuer will need to absorb the earnings effect of a minimum 30% unremunerated central-bank balance while funding general business-risk capital, a financial risk reserve, a wind-down reserve, safeguarding and custody arrangements, direct-access preparations, reconciliation systems and the operational capacity for rolling 24-hour redemption. Each component may be defensible in isolation, but their combined fixed and variable cost could constrain operating margin and liquidity headroom in ways that are not visible from component-by-component analysis. The consolidated assessment should test that interaction.

Before commencement, the Bank should publish a consolidated impact assessment across representative issuer models. The assessment should test different issuance scales, interest-rate environments, redemption patterns and revenue mixes, including different levels of reserve income. It should show the sensitivity of operating margin, liquidity headroom and capital-raising needs to custody costs, market-data and reconciliation infrastructure, payment-system access and reserve requirements. Confidential firm data can remain protected, but the assumptions, ranges and conclusions used to justify the overall calibration should be public.

Show which resource responds to which loss

The Code usefully excludes wind-down costs already provided for by the wind-down reserve from the alternative general business-risk capital calculation. The same discipline should be applied across the framework. A public risk-to-resource map should identify, for each severe but plausible scenario, the party bearing the risk, the first resource to absorb the loss, any replenishment obligation, and whether the resource is legally and operationally available at the relevant time.

That map should distinguish at least four problems: a market-value shortfall in backing assets, a temporary inability to monetise sound assets, an operating loss at the issuer, and the cost of returning funds or transferring the business in wind-down. It should also explain the interaction between one-to-one top-up obligations, the financial risk reserve, private liquidity arrangements, the CBLF, recovery resources and the wind-down reserve. A resource ring-fenced in one trust should not be assumed to solve a different problem unless the legal power to transfer or apply it is clear. Conversely, the same tail event should not generate duplicated requirements simply because it appears in more than one model.

Commit to an evidence-based review of the 30% calibration

We do not propose that the Bank reverse the 70/30 calibration before the regime has generated operational evidence. The Bank should, however, commit now to an initial review no later than the end of the first full year of live systemic issuance and publish the subsequent cadence and event-driven triggers. Relevant metrics should include peak and sustained net redemption flows, the proportion of redemptions met from central-bank money, the time and cost of monetising short-dated government debt through private markets, the liquidity of the relevant maturity buckets, payment-rail performance, concentration in repo counterparties and any use or near-use of the CBLF.

The review should consider the 30% minimum and the decision to leave those balances unremunerated together, because their combined economic effect matters. Any adjustment should remain evidence-led and preserve immediate liquidity. Options should include changing the minimum, refining eligible maturities or repo arrangements, or considering tiered or capped remuneration of the issuer's central-bank balance while retaining the prohibition on interest or holding-period returns to coinholders. Publication of the review method would provide a credible mechanism for correcting over- or under-calibration as evidence develops.

Treat guardrail governance as a control against de-pegging

The aggregate guardrail is materially more workable than individual holding limits, but a hard cap can affect singleness of money if demand exceeds permitted supply and the token trades above par. The proposed notification requirements and commitment to regular review would benefit from a defined process that allows issuers and their distribution partners to plan before the cap becomes binding.

The Bank should publish the review cadence, decision criteria and process for increasing or removing the guardrail. Engagement should begin early enough to assess forecasts and agree an issuance-management and communications plan before the limit is reached. Issuers should have a clear route to request an increase and a target timetable for a decision. Relevant criteria should include effects on bank funding and credit provision, secondary-market premiums, issuer concentration, the resilience of backing-asset markets and operational readiness. The assessment should also examine how an approaching cap could affect pricing, distribution and investment decisions before it is reached.

The stability rationale is system-wide—the possible effect of aggregate migration from bank deposits on credit provision—while the legal limit is set per product. The Bank should therefore explain how total systemic stablecoin issuance and concentration across products will feed into its review of each product-level guardrail. That methodology should test both aggregate funding-shift risk and product-specific scarcity effects, including incentives to fragment issuance. Any uplift should follow published evidence and criteria rather than occur automatically at firm level.

Separate monetisation risk from future facility policy

The proposed monetisation-risk component of the financial risk reserve depends on the future CBLF haircut. That creates uncertainty until the facility parameters are available. The Bank has indicated that the facility's pricing and access conditions will reflect its backstop role, but it has not settled the haircut. It should explain why that haircut is an appropriate measure of loss from monetising assets in stressed markets, rather than assuming the facility's eventual settings will measure that loss directly.

The final framework should include a complete method for calculating monetisation risk before the requirement takes effect, or provide a clear interim approach based on stressed market conditions. The Bank should explain its interaction with the separate provision for interest-rate risk so that the same price movement is not counted twice. Any later change following the CBLF's introduction should allow a transparent adjustment and transition period.

Q3: Do you have any comments on any operational constraints associated with implementing our proposed rules?

Implementation depends on coordinated delivery by the Bank, the FCA, HM Treasury, payment-system operators and custodians, as well as the future CBLF. Firms need clear sequencing, consistent data and incident expectations, and proportionate treatment of operational timing differences that do not represent a shortfall in backing.

Coordinate the outstanding implementation requirements

The timetable proposed in our response to Question 1 should identify the earliest commencement date, interim treatment and evidence expected for each outstanding requirement. An issuer should not have to assume the CBLF is available before it is eligible and operationally able to draw. The trust and failure arrangements, FCA redemption requirements and planned operational resilience materials should be coordinated so firms can prepare a coherent implementation plan.

Agree a joint transition plan

The joint Bank–FCA publication anticipates a typical transition of 12 to 36 months and flexibility to adjust requirements during that period. Each transitioning issuer should receive a joint plan identifying the minimum day-one requirements, the obligations that will be phased or temporarily modified, the relevant milestones and the authority responsible for each decision. The plan should be agreed in substance before systemic recognition takes effect and use a coordinated information request wherever the authorities need the same evidence.

The plan should also distinguish delay within the issuer's control from delay caused by an external gatekeeper. Direct payment-system access is an appropriate end-state expectation, but full access may take more than 12 months because account eligibility, scheme onboarding and testing slots do not sit solely within the issuer's control. An issuer that has applied promptly and met agreed milestones should be permitted to use robust indirect access during the transition, with sponsor diversification, liquidity pre-positioning, service-level protections and tested contingency arrangements. The temporary arrangement should end against objective readiness milestones, not an arbitrary date or a finding of breach caused solely by an external onboarding queue.

Define reconciliation cut-offs and distinguish timing from under-backing

Daily internal and external reconciliation is appropriate, but implementation across blockchains, custodians, settlement systems and time zones requires a common reference point. The Bank should define what constitutes the business-day cut-off for each asset pool, the source of truth for token supply and asset balances, the treatment of minting, burning and payments pending final settlement, and the evidence that can be used where a third-party statement is not produced at the same time as the issuer's internal snapshot.

The final framework should distinguish a genuine economic shortfall from a documented operational timing difference. There should be no tolerance for under-backing. Limited flexibility could apply where the asset or cash is already irrevocably settled or under the trust's control and the mismatch arises solely from asynchronous book-entry updates. Such differences should be recorded, escalated where material and resolved promptly. Guidance should explain how they interact with same-day reconciliation and resolution expectations and provide examples of reportable and non-reportable discrepancies.

The direction to remove proceed funds from commercial-bank accounts 'as soon as possible' should likewise be anchored to observable cut-offs. Automated sweeping should be the norm, with a documented exception where the relevant payment, settlement or market infrastructure is outside operating hours or otherwise unavailable. The issuer should remain fully responsible for the funds and should transfer them at the next available opening; the exception should not extend to an economic shortfall or discretionary delay.

Make replacement acknowledgement letters proportionate

Third-party acknowledgement letters provide important protection against set-off and competing claims. The framework should allow efficient administration where a letter covers more than one clearly identified account and should distinguish a substantive defect from an immaterial change in contact or account information.

Where the validity of the protection is unaffected, firms should have a reasonable period to correct administrative errors or obtain a replacement letter. Matters that call into question the trust, the relevant beneficiary pool or the exclusion of recourse require prompt resolution. The Bank should also provide an escalation route for material obstacles raised by providers, so firms can resolve them before placing assets at risk.

Support fair and efficient redemption processing

The final framework should preserve fair queueing while accommodating batching and parallel processing. The Bank should clarify whether a firm may process later full requests when an earlier request is blocked by a holder-specific legal or payment impediment and, if so, under what objective conditions. The process should preserve rolling first-come-first-served order wherever practicable, prevent preferential treatment by holder type, and record why any request is delayed and what has been communicated to the affected holder.

Where a redemption fee is charged, the Bank should clarify whether the redeeming holder's express agreement can be given in advance for a clearly specified fee or calculation method, and when agreement must be confirmed again at redemption. Prominent disclosure alone should not be treated as agreement. Fees should remain fair, transparent and proportionate to operational costs; they must not transfer losses on backing assets to coinholders or be deducted from the redemption payment without the holder's express agreement.

Address exceptional disruption and operational resilience

Exceptional disruption before a valid payment instruction can be issued needs explicit treatment. The Bank has stated that its redemption deadline continues during operational disruption and that an issuer cannot suspend redemptions on its own initiative, although the Bank retains a power to direct a suspension. The FCA's final rules provide for suspension in narrowly defined exceptional circumstances. The Bank and FCA should explain which FCA requirements will apply after systemic recognition and how an issuer should act if the two regimes would otherwise point in different directions. A network or payment-infrastructure failure that prevents a funded instruction from being sent is the most immediate example.

The Bank should also explain its supervisory response when an issuer cannot meet the 24-hour deadline despite reasonable, tested contingency measures. Relevant factors should include the cause and duration of the disruption, which requests were affected, available alternative channels, whether liquidity was pre-positioned, notification and recovery actions, and the evidence kept. An incident resolved in time to meet the deadline should be distinguished from one that prevents timely completion. The holder's redemption claim remains in force, and the issuer should complete affected requests promptly once the impediment ends.

This incident framework should be developed alongside the planned operational resilience, third-party risk and recovery requirements. Issuers should remain responsible for due diligence, liquidity readiness, contingency planning and recovery, including where they outsource redemption. Guidance should explain notification and customer communication expectations for incidents of different severity, the evidence firms should retain and the response to repeated failures. This would give firms a clear path for managing exceptional disruption while preserving continuous redemption obligations.

Set objective milestones for the step-up approach

A systemic-at-launch issuer may initially hold up to 95% of its backing assets in short-term government debt before moving to the steady-state 70/30 mix. The decision to reduce that proportion should not be an unanticipated cliff edge. The Bank should publish indicative criteria covering issuance scale, the level and volatility of redemptions, demonstrated asset-monetisation capacity, settlement-account and payment-access readiness, operational-resilience testing and concentration of counterparties. Each decision should be reasoned in writing, allow reasonable implementation time and, where risk permits, use staged changes rather than a single large reallocation. This would preserve supervisory judgement while making funding and liquidity planning possible.

Q4: Do you have any other comments or feedback on our proposed rules?

Make deference a usable route for overseas stablecoins

We support the Bank's preference for deference where a non-sterling systemic stablecoin issued outside the UK is subject to a home framework that delivers similar outcomes and effective supervisory cooperation is in place. That route must be capable of use in practice. If the assessment requires other jurisdictions to reproduce the UK framework, a commitment to deference would offer little certainty to issuers or to UK businesses using internationally issued stablecoins, including those denominated in US dollars.

Redemption timing is a priority for clarification. The Bank should state whether a home regime must impose the same 24-hour requirement to qualify, or whether enforceable arrangements that deliver comparable protection for UK coinholders can satisfy the assessment. A comparison should examine when the clock starts and stops, any permitted exceptions, access to direct redemption, and performance under stress. A difference in the headline deadline should be assessed against those features and the risk it creates.

Where a gap is identified, the Bank should explain whether it can be addressed through enforceable issuer arrangements, targeted conditions or cooperation with the home authority, without requiring that jurisdiction to amend its entire regime. Operational performance alone cannot substitute for a reliable legal entitlement, but it can help test whether the relevant protections work in practice. The Bank should distinguish protections that are essential from differences in regulatory form or supervisory method.

The published assessment process should specify the evidence required, how gaps and mitigants will be evaluated, decision timelines, and the approach to review or withdrawal. Practical examples, including comparisons with established frameworks such as the EU's Markets in Crypto-Assets Regulation, would help firms understand what could qualify. If no home framework currently meets the Bank's test, it should identify the material gaps and explain what would need to change for deference to become available. Where deference cannot be granted, firms also need clarity on the regulatory treatment and any transition arrangements that would follow.

These clarifications should preserve the Bank's focus on enforceable claims, timely redemption, resources available in stress and effective cooperation with the home authority. A transparent assessment of those outcomes would make deference useful while maintaining the protection required for systemic use in the UK.

Set the conditions for revisiting multi-issuance

The Bank is right that multi-issuance is not presently suitable for systemic use where locally held reserves cannot be reliably matched to coins that move instantly across borders, or where legal protections differ between issuing entities. The Bank's present conclusion should not, however, be treated as permanent if technology, legal frameworks and supervisory cooperation develop sufficiently. The Bank should publish the minimum evidence that would be needed to reopen the assessment.

At a minimum, a future model would need real-time consolidated data on issuance and reserve attribution; legally enforceable rules for rebalancing reserves before and during stress; equivalent coinholder claims, redemption priority and insolvency treatment across issuing entities; local capacity to meet redemptions without depending on discretionary cross-border transfers; restrictions on transfers where reserve coverage cannot follow; common recovery and wind-down playbooks; and binding supervisory information-sharing and intervention arrangements. Controlled technical testing could examine these propositions without implying approval for systemic deployment. A published evidential pathway would support innovation while keeping the present financial-stability conclusion intact.

Create an outcomes-based assessment for public permissionless ledgers

We welcome the Bank's statement that public permissionless ledgers are not excluded if the issuer can meet the required outcomes. The remaining uncertainty is how accountability, probabilistic finality and operational resilience will be judged. Without an assessment framework, an ostensibly technology-neutral policy may operate as a de facto prohibition because firms cannot know what evidence is sufficient.

The planned guidance and updated Recognised Payment Systems Code of Practice should define an outcomes-based test. An accountable issuer should identify when transfers are treated as final for redemption and safeguarding, assess reorganisation and congestion risk, and maintain controls for material network, cyber and smart-contract failures. The assessment should cover bridge exposures, records of minting, burning and redemption, and a tested migration or exit plan. Chain-specific finality thresholds should be justified to supervisors, with conservative treatment of pending events and reconciliation where ledger records and the issuer's books diverge.

The assessment should distinguish the issuer's ability to control a protocol from its responsibility for choosing and managing its use of that protocol. An issuer may be unable to direct public validators or change third-party open-source code, but it can still assess dependencies, set transaction safeguards and maintain contingency arrangements. The Bank should explain how these capabilities inform both its assessment of the ledger and the exceptional-disruption approach described under Question 3. Use of an external or decentralised protocol should neither create an automatic exemption nor imply that every aspect of its operation is within the issuer's control. A supervised test environment would help firms demonstrate these controls against published criteria.

Coordinate overlapping supervision and reporting

The joint publication maps Bank and FCA responsibilities and recognises overlap in governance, operational resilience, outsourcing, record-keeping, issuance, redemption and remuneration. Implementation should identify the lead authority for overlapping requirements, the common evidence or return, the incident-notification route and how inconsistent directions will be resolved. Firms should be able to submit one dataset or incident report for common requirements, with the authorities sharing it under agreed arrangements. This would reduce duplicated compliance effort while preserving each authority's statutory oversight.